

**FINANCIAL SECTION**

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LES STORCH  
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
of the City of Rye, New York:

We have audited the general purpose financial statements of the City of Rye, New York as of and for the year ended December 31, 2000, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Rye, New York at December 31, 2000, and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2001 on our consideration of the City of Rye, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as combining, individual fund and account group financial statements and schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Rye, New York. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. The information listed in the statistical section has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements, and accordingly, we express no opinion on it.

*Bennett Kielson Storch DeSantis & Company LLP*

March 30, 2001

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**GENERAL PURPOSE FINANCIAL STATEMENTS**

## CITY OF RYE, NEW YORK

COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,322,563	\$ 8,641	\$ -	\$ 300,000
Investments	4,540,180	119,694	12,744	1,277,049
Taxes Receivable	718,889	-	-	-
Other Receivables:				
Accounts	75,832	73,231	-	209
Due from other funds	30,268	-	1,178	-
Due from other governments	547,225	16,742	-	401,756
Advances to other funds	-	-	-	-
	653,325	89,973	1,178	401,965
Prepaid Expenditures/Expenses	604,923	12,486	-	-
Property, Buildings and Equipment	-	-	-	-
Less - Accumulated depreciation	-	-	-	-
	-	-	-	-
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for General Long -Term Debt	-	-	-	-
Total Assets	\$ 8,839,880	\$ 230,794	\$ 13,922	\$ 1,979,014

Proprietary Funds		Fiduciary Funds	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
\$ 507,017	\$ 600,003	\$ 273,969	\$ -	\$ -	\$ 4,012,193	\$ 8,745,549
2,148,937	3,717,398	661,880	-	-	12,477,882	7,664,637
-	-	-	-	-	718,889	657,472
34,517	31,227	2,336	-	-	217,352	170,651
-	20,944	-	-	-	52,390	45,357
-	180,961	-	-	-	1,146,684	580,978
-	-	-	-	-	-	38,580
34,517	233,132	2,336	-	-	1,416,426	835,566
45,295	32,706	-	-	-	695,410	832,872
16,782,817	9,182,210	-	7,589,233	-	33,554,260	27,529,971
(3,692,614)	(3,816,298)	-	-	-	(7,508,912)	(6,563,501)
13,090,203	5,365,912	-	7,589,233	-	26,045,348	20,966,470
-	-	-	-	12,744	12,744	10,475
-	-	-	-	859,256	859,256	165,525
\$ 15,825,969	\$ 9,949,151	\$ 938,185	\$ 7,589,233	\$ 872,000	\$ 46,238,148	\$ 39,878,566

(Continued)

## CITY OF RYE, NEW YORK

COMBINED BALANCE SHEET (Continued)  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts payable	\$ 118,018	\$ 3,855	\$ -	\$ 174,319
Accrued liabilities	472,018	98	1,178	-
Retained percentages	-	-	-	22,657
Due to other funds	17,824	865	-	1,178
Advances from other funds	-	-	-	-
Due to other governments	397,145	-	-	-
Deferred revenues	446,726	-	-	-
Deposits	-	-	-	-
Bond anticipation notes payable	-	-	-	-
Bonds payable	-	-	-	-
Compensated absences	546,710	12,361	-	-
<b>Total Liabilities</b>	<b>1,998,441</b>	<b>17,179</b>	<b>1,178</b>	<b>198,154</b>
Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	12,744	-
Reserved for encumbrances	269,551	5,418	-	495,486
Reserved for prepaid expenditures	604,923	12,486	-	-
Reserved for long- term receivable	386,871	-	-	-
Reserved for trusts	-	-	-	-
Unreserved:				
Designated for future capital projects	-	-	-	196,840
Designated for subsequent year's expenditures	2,055,000	93,085	-	-
Undesignated	3,525,094	102,626	-	1,088,534
<b>Total Equity and Other Credits</b>	<b>6,841,439</b>	<b>213,615</b>	<b>12,744</b>	<b>1,780,860</b>
<b>Total Liabilities , Equity and Other Credits</b>	<b>\$ 8,839,880</b>	<b>\$ 230,794</b>	<b>\$ 13,922</b>	<b>\$ 1,979,014</b>

The accompanying notes are an integral part of the financial statements.



Proprietary Funds		Fiduciary Funds	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
\$ 271,699	\$ 194,160	\$ 139,833	\$ -	\$ -	\$ 901,884	\$ 609,293
78,690	347,663	-	-	-	899,647	828,312
309,517	-	-	-	-	332,174	107,374
5,079	1,899	25,545	-	-	52,390	45,357
-	-	-	-	-	-	38,580
11,196	-	-	-	-	408,341	382,989
-	-	-	-	-	446,726	545,733
-	-	382,656	-	-	382,656	625,190
-	-	-	-	-	-	430,000
5,975,000	3,723,000	-	-	872,000	10,570,000	7,180,000
52,119	44,655	-	-	-	655,845	666,899
6,703,300	4,311,377	548,034	-	872,000	14,649,663	11,459,727
-	-	-	7,589,233	-	7,589,233	7,321,225
1,971,320	1,904,487	-	-	-	3,875,807	3,600,652
7,151,349	3,733,287	-	-	-	10,884,636	9,805,288
-	-	-	-	-	12,744	10,475
-	-	-	-	-	770,455	243,526
-	-	-	-	-	617,409	743,644
-	-	-	-	-	386,871	373,469
-	-	390,151	-	-	390,151	386,982
-	-	-	-	-	196,840	156,951
-	-	-	-	-	2,148,085	1,607,581
-	-	-	-	-	4,716,254	4,169,046
9,122,669	5,637,774	390,151	7,589,233	-	31,588,485	28,418,839
<u>\$ 15,825,969</u>	<u>\$ 9,949,151</u>	<u>\$ 938,185</u>	<u>\$ 7,589,233</u>	<u>\$ 872,000</u>	<u>\$ 46,238,148</u>	<u>\$ 39,878,566</u>

## CITY OF RYE, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Real property tax and related items	\$ 9,970,349	\$ -	\$ -	\$ -
Non-property tax items	1,766,233	-	-	-
Charges for services	700,340	267,667	-	-
Intergovernmental charges	65,197	-	-	-
Use of money and property	717,690	11,763	2,268	86,973
Licenses and permits	1,048,373	-	-	-
Fines and forfeitures	415,043	-	-	-
Sale of property and compensation for loss	124,569	-	-	-
Interfund revenues	304,630	-	-	-
State aid	2,190,331	15,022	-	188,030
Federal aid	-	-	-	382,673
Miscellaneous	24,798	1,366	-	8,000
Total Revenues	17,327,553	295,818	2,268	665,676
Expenditures:				
Current:				
General government support	2,477,513	-	-	-
Public safety	6,681,111	-	-	-
Community environment	4,691,887	-	-	-
Culture and recreation	2,009,537	397,569	-	-
Debt Service:				
Principal	-	-	44,000	-
Interest	4,027	-	6,908	-
Capital Outlay	-	-	-	1,162,547
Total Expenditures	15,864,075	397,569	50,908	1,162,547
Excess (Deficiency) of Revenues Over Expenditures	1,463,478	(101,751)	(48,640)	(496,871)
Other Financing Sources (Uses):				
Proceeds from serial bonds	-	-	-	740,000
Operating transfers in	225,162	130,975	50,909	625,012
Operating transfers out	(813,796)	-	-	(230,512)
Total Other Financing Sources (Uses)	(588,634)	130,975	50,909	1,134,500
Excess of Revenues and Other Sources Over Expenditures and Other Uses	874,844	29,224	2,269	637,629
Fund Balances - Beginning of Year	5,966,595	184,391	10,475	1,143,231
Fund Balances - End of Year	\$ 6,841,439	\$ 213,615	\$ 12,744	\$ 1,780,860

The accompanying notes are an integral part of the financial statements.

Fiduciary Funds	Totals (Memorandum Only)	
Expendable Trust	2000	1999
\$ -	\$ 9,970,349	\$ 9,505,107
-	1,766,233	1,568,420
16,063	984,070	983,619
-	65,197	62,286
28,642	847,336	619,940
-	1,048,373	1,374,623
-	415,043	358,723
-	124,569	264,573
-	304,630	304,644
-	2,393,383	1,978,317
-	382,673	75,460
-	34,164	56,351
44,705	18,336,020	17,152,063
759	2,478,272	2,035,860
10,004	6,691,115	6,394,612
-	4,691,887	4,469,398
-	2,407,106	2,241,700
-	44,000	44,000
-	10,935	8,536
-	1,162,547	1,289,660
10,763	17,485,862	16,483,766
33,942	850,158	668,297
-	740,000	-
-	1,032,058	2,680,751
(32,000)	(1,076,308)	(2,996,501)
(32,000)	695,750	(315,750)
1,942	1,545,908	352,547
353,402	7,658,094	7,305,547
\$ 355,344	\$ 9,204,002	\$ 7,658,094

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Real property tax and related items	\$ 10,184,651	\$ 9,970,349	\$ (214,302)	\$ -	\$ -	\$ -
Non-property tax items	1,630,000	1,766,233	136,233	-	-	-
Charges for services	645,760	700,340	54,580	262,855	267,667	4,812
Intergovernmental charges	56,785	65,197	8,412	-	-	-
Use of money and property	450,000	717,690	267,690	6,200	11,763	5,563
Licenses and permits	756,100	1,048,373	292,273	-	-	-
Fines and forfeitures	211,900	415,043	203,143	-	-	-
Sale of property and compensation for loss	54,500	124,569	70,069	-	-	-
Interfund revenues	295,700	304,630	8,930	-	-	-
State aid	1,604,772	2,190,331	585,559	11,655	15,022	3,367
Miscellaneous	7,500	24,798	17,298	17,500	1,366	(16,134)
<b>Total Revenues</b>	<b>15,897,668</b>	<b>17,327,553</b>	<b>1,429,885</b>	<b>298,210</b>	<b>295,818</b>	<b>(2,392)</b>
Expenditures:						
Current:						
General government support	2,753,515	2,477,513	276,002	-	-	-
Public safety	7,079,275	6,681,111	398,164	-	-	-
Community environment	5,017,900	4,691,887	326,013	-	-	-
Culture and recreation	2,191,688	2,009,537	182,151	457,093	397,569	59,524
Debt Service:						
Principal	-	-	-	-	-	-
Interest	4,050	4,027	23	-	-	-
<b>Total Expenditures</b>	<b>17,046,428</b>	<b>15,864,075</b>	<b>1,182,353</b>	<b>457,093</b>	<b>397,569</b>	<b>59,524</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,148,760)</b>	<b>1,463,478</b>	<b>2,612,238</b>	<b>(158,883)</b>	<b>(101,751)</b>	<b>57,132</b>
Other Financing Sources (Uses):						
Operating transfers in	224,505	225,162	657	130,975	130,975	-
Operating transfers out	(813,796)	(813,796)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(589,291)</b>	<b>(588,634)</b>	<b>657</b>	<b>130,975</b>	<b>130,975</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1,738,051)</b>	<b>874,844</b>	<b>2,612,895</b>	<b>(27,908)</b>	<b>29,224</b>	<b>57,132</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,738,051</b>	<b>5,966,595</b>	<b>4,228,544</b>	<b>27,908</b>	<b>184,391</b>	<b>156,483</b>
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ 6,841,439</b>	<b>\$ 6,841,439</b>	<b>\$ -</b>	<b>\$ 213,615</b>	<b>\$ 213,615</b>

The accompanying notes are an integral part of the financial statements.

Debt Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 10,184,651	\$ 9,970,349	\$ (214,302)
-	-	-	1,630,000	1,766,233	136,233
-	-	-	908,615	968,007	59,392
-	-	-	56,785	65,197	8,412
-	2,268	2,268	456,200	731,721	275,521
-	-	-	756,100	1,048,373	292,273
-	-	-	211,900	415,043	203,143
-	-	-	54,500	124,569	70,069
-	-	-	295,700	304,630	8,930
-	-	-	1,616,427	2,205,353	588,926
-	-	-	25,000	26,164	1,164
-	2,268	2,268	16,195,878	17,625,639	1,429,761
-	-	-	2,753,515	2,477,513	276,002
-	-	-	7,079,275	6,681,111	398,164
-	-	-	5,017,900	4,691,887	326,013
-	-	-	2,648,781	2,407,106	241,675
44,000	44,000	-	44,000	44,000	-
6,909	6,908	1	10,959	10,935	24
50,909	50,908	1	17,554,430	16,312,552	1,241,878
(50,909)	(48,640)	2,269	(1,358,552)	1,313,087	2,671,639
50,909	50,909	-	406,389	407,046	657
-	-	-	(813,796)	(813,796)	-
50,909	50,909	-	(407,407)	(406,750)	657
-	2,269	2,269	(1,765,959)	906,337	2,672,296
-	10,475	10,475	1,765,959	6,161,461	4,395,502
\$ -	\$ 12,744	\$ 12,744	\$ -	\$ 7,067,798	\$ 7,067,798

## CITY OF RYE, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND EQUITY  
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non - Expendable Trust
Operating Revenues:			
Charges for services	\$ 3,736,478	\$ 2,116,000	\$ -
Interest income	-	-	1,977
Miscellaneous	20,297	37,218	-
Total Operating Revenues	3,756,775	2,153,218	1,977
Operating Expenses:			
Salaries and wages	1,213,376	517,978	-
Employee benefits	245,028	137,968	-
Materials and supplies	620,517	444,437	-
Contractual costs	623,538	453,332	-
Depreciation	377,860	567,551	-
Total Operating Expenses	3,080,319	2,121,266	-
Operating Income	676,456	31,952	1,977
Non-Operating Revenues (Expenses):			
Gain on sale of equipment	-	33,098	-
Interest income	173,298	145,009	-
Interest expense	(54,066)	(92,668)	-
Total Non-Operating Revenues	119,232	85,439	-
Net Income Before Operating Transfers	795,688	117,391	1,977
Operating Transfers:			
Operating transfers in	-	70,000	-
Operating transfers out	-	(25,000)	(750)
Total Operating Transfers	-	45,000	(750)
Net Income	795,688	162,391	1,227
Add: Depreciation on fixed assets acquired with contributed capital	8,735	112,534	-
Increase in Retained Earnings/Fund Balance	804,423	274,925	1,227
Retained Earnings/Fund Balance - Beginning of Year	6,346,926	3,458,362	33,580
Retained Earnings/Fund Balance - End of Year	7,151,349	3,733,287	34,807
Contributed Capital - Beginning of Year	1,738,573	1,862,079	-
Add: Capital grants	241,482	154,942	-
Less: Depreciation	(8,735)	(112,534)	-
Contributed Capital - End of Year	1,971,320	1,904,487	-
Fund Equity - End of Year	\$ 9,122,669	\$ 5,637,774	\$ 34,807

The accompanying notes are an integral part of the financial statements.

Totals (Memorandum Only)	
2000	1999
\$ 5,852,478	\$ 5,553,610
1,977	1,541
57,515	58,870
5,911,970	5,614,021
1,731,354	1,567,245
382,996	327,724
1,064,954	920,362
1,076,870	1,063,469
945,411	905,282
5,201,585	4,784,082
710,385	829,939
33,098	-
318,307	170,715
(146,734)	(112,633)
204,671	58,082
915,056	888,021
70,000	316,500
(25,750)	(750)
44,250	315,750
959,306	1,203,771
121,269	144,647
1,080,575	1,348,418
9,838,868	8,490,450
10,919,443	9,838,868
3,600,652	3,745,299
396,424	-
(121,269)	(144,647)
3,875,807	3,600,652
\$ 14,795,250	\$ 13,439,520

## CITY OF RYE, NEW YORK

COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non - Expendable Trust
Cash Flows from Operating Activities:			
Cash received from customers	\$ 3,723,801	\$ -	\$ -
Cash received from charges to other funds	-	2,116,000	-
Cash payments to employees	(1,454,832)	(652,235)	-
Cash payments to vendors	(1,094,295)	(589,438)	-
Cash payments to insurance carrier and claimants	-	(401,342)	-
Other operating revenues	20,297	37,218	1,977
Net Cash Provided by Operating Activities	1,194,971	510,203	1,977
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(4,731,093)	(1,025,188)	-
Proceeds from capital grants	241,482	154,942	-
Proceeds from bond anticipation notes	-	-	-
Proceeds from serial bonds	-	3,085,000	-
Proceeds from sale of equipment	-	33,098	-
Principal paid on bond anticipation notes	-	(330,000)	-
Principal paid on serial bonds	(300,000)	(91,000)	-
Interest paid on serial bonds and bond anticipation notes	(56,884)	(51,505)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(4,846,495)	1,775,347	-
Cash Flows from Investing Activities:			
Interest income	188,032	114,268	-
Purchase of investments	(2,148,937)	(3,717,398)	(34,807)
Sale of investments	2,693,985	1,065,525	33,580
Net Cash Provided by (Used in) Investing Activities	733,080	(2,537,605)	(1,227)
Cash Flows from Non-Capital Financing Activities:			
Operating transfers in	-	70,000	-
Operating transfers out	-	(25,000)	(750)
Due from other funds	-	(7,310)	-
Due to other funds	1,246	1,899	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	1,246	39,589	(750)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,917,198)	(212,466)	-
Cash and Cash Equivalents - Beginning of Year	3,424,215	812,469	-
Cash and Cash Equivalents - End of Year	\$ 507,017	\$ 600,003	\$ -
Cash and Cash Equivalents:			
Expendable Trust and Agency Funds			\$ 273,969
Non - Expendable Trust Fund			-
Total Cash and Cash Equivalents - Fiduciary Funds			\$ 273,969



Totals (Memorandum Only)	
2000	1999
\$ 3,723,801	\$ 3,514,943
2,116,000	2,054,713
(2,107,067)	(1,969,532)
(1,683,733)	(1,353,192)
(401,342)	(329,126)
59,492	60,211
1,707,151	1,978,017
(5,756,281)	(2,612,560)
396,424	-
-	330,000
3,085,000	-
33,098	-
(330,000)	-
(391,000)	(216,000)
(108,389)	(113,005)
(3,071,148)	(2,611,565)
302,300	187,783
(5,901,142)	(3,793,090)
3,793,090	5,638,680
(1,805,752)	2,033,373
70,000	316,500
(25,750)	(750)
(7,310)	9,068
3,145	(25,177)
40,085	299,641
(3,129,664)	1,699,466
4,236,684	2,537,218
\$ 1,107,020	\$ 4,236,684

(Continued)

## CITY OF RYE, NEW YORK

COMBINED STATEMENT OF CASH FLOWS (Continued)  
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
 YEAR ENDED DECEMBER 31, 2000  
 (With Comparative Totals for 1999)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- Expendable Trust
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 676,456	\$ 31,952	\$ 1,977
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	377,860	567,551	-
Changes in assets and liabilities:			
Accounts receivable	(29,474)	-	-
Due from other governments	-	(135,649)	-
Advances to other funds	16,797	-	-
Prepaid expenses	3,457	7,770	-
Accounts payable	(89,900)	34,869	-
Accrued liabilities	1,499	(541)	-
Retained percentages	234,635	-	-
Due to other governments	1,569	-	-
Compensated absences	2,072	4,251	-
Total Adjustments	518,515	478,251	-
Net Cash Provided by Operating Activities	\$ 1,194,971	\$ 510,203	\$ 1,977

The accompanying notes are an integral part of the financial statements.

Totals (Memorandum Only)	
2000	1999
\$ 710,385	\$ 829,939
945,411	905,282
(29,474)	157
(135,649)	(43,372)
16,797	15,846
11,227	(26,838)
(55,031)	250,409
958	(18,094)
234,635	50,195
1,569	9,036
6,323	5,457
996,766	1,148,078
\$ 1,707,151	\$ 1,978,017

**Note 1 - Summary of Significant Accounting Policies**

The City of Rye, New York was incorporated in 1942 and operates in accordance with its Charter and the various other applicable laws of the State of New York. The City functions under a City Council/Manager form of government. The City Council is the legislative body responsible for overall operation. The City Manager serves as the chief executive officer and the City Comptroller serves as the chief financial officer. The City provides the following services to its residents: public safety, community environment, culture and recreation and general and administrative support.

The accounting policies of the City of Rye, New York conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies:

**A. Financial Reporting Entity**

The financial reporting entity consists of a) the primary government which is the City of Rye, b) organizations for which the City is financially accountable and c) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity was made by applying the criteria set forth in GASB Statement No. 14, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements of the City.

**B. Basis of Presentation**

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/retained earnings, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of governmental funds not recorded directly in those funds. The City's resources are reflected in the financial statements in nine generic fund types within three broad fund categories, as well as two account groups, in accordance with generally accepted accounting principles as follows:

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1. Fund Categories**

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the City in that it includes all revenues and expenditures not required by law to be accounted for in other funds.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than proprietary, expendable and non-expendable trusts or capital projects) that are legally restricted to expenditures for certain defined purposes. The special revenue funds of the City are as follows:

Cable TV Fund - The Cable TV Fund is used to account for revenues received from the franchise holder for public access cable TV programming.

Nature Center Fund - The Nature Center Fund is used to account for revenues received from State and Federal grants and the Rye Conservation Society for the operation and maintenance of the Rye Nature Center.

Debt Service Fund - The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on general long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service funds. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The enterprise funds of the City are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

Boat Basin Fund - The Boat Basin Fund is used to account for the operations of the DePauw Municipal Boat Basin.

Golf Club Fund - The Golf Club Fund is used to account for the operations of the Rye Golf Club.

Internal service funds are used to account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The internal service funds of the City are as follows:

Risk Retention Fund - The Risk Retention Fund is used to account for general liability insurance and risk management activities.

Building and Vehicle Maintenance Fund - The Building and Vehicle Maintenance Fund is used to account for the acquisition, operation, maintenance and disposition of the City's buildings and vehicles which are not otherwise accounted for in other funds.

- c. Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City in a trustee or custodial capacity. Fiduciary funds include Expendable and Non-Expendable Trust and Agency funds. The Expendable and Non-Expendable Trust funds account for assets held by the City in accordance with terms of trust agreements and are differentiated based on the City's obligation to maintain trust principal. The Agency Fund accounts for assets held by the City on behalf of others.

**2. Account Groups**

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt.

General Fixed Assets Account Group - This account group is established to account for all fixed assets other than those accounted for in proprietary fund types.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations that are not a specific liability of the proprietary fund types.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types and expendable trust funds are presented using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The reported unreserved fund balance is a measure of "available spendable resources".

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Proprietary and non-expendable trust funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of these funds are included on the balance sheet. Proprietary and non-expendable trust fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The reported fund equity (net total assets) may be segregated into contributed capital and retained earnings components.

The Agency Fund is custodial in nature and does not measure results of operations or have a measurement focus.

The modified accrual basis of accounting is followed in the governmental fund types, expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they are "measurable" and "available" to finance current operations. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GASB has specified the principles to be used in the recognition of real property tax revenue. These principles provide that real property taxes be recognized as revenue only when received in cash during the current period, or soon enough thereafter to be available to meet the obligations of the current period. The term available has been limited to a period not to exceed sixty days subsequent to the end of the fiscal year unless unusual circumstances are present. A one year availability period is used for revenue recognition for all other governmental and expendable trust fund revenues. Revenues susceptible to accrual include real property taxes, services to other governments and intergovernmental revenues. Permits, fees and other similar revenues are not susceptible to accrual because generally they are not measurable until they are received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures, under the modified accrual basis, are generally recognized when the related fund liability is incurred. An exception to this general rule is unmatured principal and interest on general long-term debt which is recognized as an expenditure when due.

The accrual basis of accounting is followed in the proprietary fund types and non-expendable trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgetary Data**

The City follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before the seventh day of November, the City Manager submits to the City Council a tentative budget presenting a financial plan for conducting the affairs of the City for the ensuing fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

- b) Upon receipt of the Manager's tentative budget and prior to a public hearing, the City Council may, by a vote of at least four members of the City Council, make changes in the tentative budget.
- c) After considering the tentative budget, but not later than the first Wednesday in December and with a public notice published ten days in advance, the City Council holds a public hearing on the proposed budget.
- d) After the public hearing, but not later than December 31st, the City Council adopts the budget presented at the public hearing as submitted or amended. Amendments made between the time of the public hearing and the date of adoption which increase total estimated revenues or total appropriations require an affirmative vote of at least five members of the City Council.
- e) Formal budgetary integration is employed during the year as a management control device for General, Special Revenue and Debt Service funds.
- f) Budgets for General, Special Revenue and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted for the Proprietary or Fiduciary funds.
- g) The City Manager may at any time during the fiscal year transfer part or all of any unencumbered appropriation balance among programs or accounts within a department, office or agency under her supervision, and such transfers shall be reported to the Council at or prior to the next City Council meeting. The City Council may, by resolution, transfer part or all of any unencumbered appropriation balance among programs or accounts of a board or commission or within a department, office or agency, or from one board, commission, department, office or agency to another. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the unencumbered balance thereof.
- h) Appropriations in General, Special Revenue and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments for the current year were not material in relation to the original appropriations which were amended.



NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

**F. Assets, Liabilities and Fund Equity**

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The City's investment policies are governed by State statutes. The City has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

The City utilizes a pooled investment concept for governmental and proprietary funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

**Investments** - All investments are stated at fair value, which is based on quoted market prices.

**Taxes Receivable** - Real property taxes attach as an enforceable lien on January 1st. The City collects City and County taxes in one installment each in February and May respectively, and they are payable without penalty until the end of the respective month. The Rye Neck Union Free School District taxes attach as an enforceable lien on July 1st. The School District's taxes for the period July 1st to June 30th are due on August 1st, with the first half payable without penalty until August 31st and the second half payable without penalty until November 30th. The City School District of Rye is responsible for collecting taxes until May of the fiscal year, when it becomes the responsibility of the City. The City guarantees the full payment of the County, City of Rye School District and Rye Neck Union Free School District warrants and assumes the responsibility for uncollected taxes. The City also has the responsibility of filing tax liens with the County resulting in in-rem foreclosure proceedings.

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

The City functions in both a fiduciary and guarantor relationship with the County of Westchester and the school districts with respect to the collection and payment of real property taxes levied by such jurisdictions. The County Charter provides for the City to collect County taxes. The City must remit to the County sixty percent of the amount levied by May 25th and the balance of forty percent on October 15th. With respect to school district taxes, New York State law and the County charter provide that the City satisfy the warrant of the school districts by May of the fiscal year for which such taxes were levied. Thus, the City's fiduciary responsibility for school districts taxes is from the date of the levy until the respective due dates at which time the City must satisfy its obligations to the school districts, regardless of the amounts collected. Since the County tax warrant must be paid in full by October, uncollected County taxes have been accounted for in a manner similar to City taxes. The collection of school districts taxes is deemed a financing transaction until the warrants are satisfied.

**Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred.

**Due From/To Other Funds** - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2000, balances of interfund amounts receivable or payable have been recorded.

**Prepaid Expenditures/Expenses** - Prepaid expenditures/expenses consist of health insurance and other costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**Inventories** - There are no inventory values presented in the balance sheets of the respective funds of the City. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

**Fixed Assets** - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds and are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are recorded at their fair market value on the date donated. No provision for depreciation is made on general fixed assets. Interest incurred during construction is not capitalized on general fixed assets. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are excluded from general fixed assets since such items are immovable and are of value only to the City.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the General Fixed Assets Account Group or capitalized in the proprietary funds.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Fixed assets in the proprietary funds are stated at cost. Donated assets are recorded at their fair market value on the date donated. Interest on applicable debt, net of interest earned on available funds, is capitalized during the period of construction. Depreciation is provided for in amounts sufficient to relate the costs of depreciable assets to operations over their estimated service lives on a straight-line basis. For assets placed in service on or after January 1, 1995, the estimated useful life is equivalent to the probable useful life as provided in the Local Finance Law. The estimated useful lives of proprietary fund fixed assets are as follows:

Asset	Years	
	Prior to January 1, 1995	Subsequent to January 1, 1995
Buildings	45	20 - 30
Improvements other than buildings	20	5 - 20
Equipment	5 - 15	5 - 10
Furniture and fixtures	5	5 - 10

**Deferred Revenues** - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported deferred revenues of \$245,819 for real property taxes and \$200,907 for fees received in advance in the General Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Long-Term Obligations** - The City records long-term debt of governmental funds at face value in the General Long-Term Debt Account Group. Certain other governmental fund obligations not expected to be financed with current available financial resources may also be reported in the General Long-Term Debt Account Group. Long-term debt and other liabilities financed by proprietary funds are reported as liabilities within those funds.

**Compensated Absences** - Vested or accumulated vacation or sick leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the respective fund that will pay it. Amounts of vested or accumulated vacation or sick leave of governmental funds that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. Vested or accumulated vacation or sick leave of the proprietary funds is recorded as an expense and liability of the fund as the benefit accrues to the employees. In accordance with the provisions of GASB's Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The liability for compensated absences includes salary related payments, where applicable.

**Contributed Capital** - Contributed capital recorded in the proprietary funds represents equity acquired through grants and capital contributions from the City. Depreciation on fixed assets acquired or constructed with these grants and contributions is charged to contributed capital.

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Retained Earnings** - Retained earnings represent the equity generated from the operations of the proprietary funds.

**Fund Balances - Reserves and Designations** - Portions of fund balance are segregated for future use and are therefore not available for future appropriation or expenditure. Amounts reserved for debt service, encumbrances, prepaid expenditures, long-term receivable and trusts represent portions of fund balance which are required to be segregated in accordance with State law or generally accepted accounting principles. Designation of unreserved fund balances in governmental funds indicates the utilization of these resources in the ensuing year's budget or tentative plans for future use.

**G. Interfund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**H. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain reclassifications of prior year financial data have been made to conform with the current year presentation.

**I. Total Columns in General Purpose Financial Statements**

Total columns in the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**J. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

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**Note 2 - Stewardship, Compliance and Accountability****Property Tax Limitation**

The amount that may be raised by the City for real property taxes in any fiscal year, for purposes other than for debt service on City indebtedness, is limited by the Constitution of the State of New York to two percent of the five year average full valuation of taxable real estate located within the City. For 2000, the maximum amount which could have been raised was \$42,960,881 which exceeded the levy by \$32,916,887.

**Note 3 - Detailed Notes on All Funds and Account Groups****A. Assets****Deposits**

The carrying amount of the City's deposits, inclusive of non-negotiable certificates of deposits of \$6,295,000 reflected as investments on the balance sheets at year-end, was \$10,304,693. This amount is exclusive of petty cash of \$2,500. The bank balance was \$10,700,373. Of the bank balance, \$500,000 was covered by federal deposit insurance and \$10,200,373 was covered by collateral held by the trust department of the pledging financial institution in the entity's name.

**Investments**

The City participates in a cooperative investment pool established pursuant to General Municipal Law. The sponsoring agency of the pool is another governmental unit which, acting through the fiscal officer, is primarily responsible for executing the provisions of the cooperative agreement. The pool is authorized to invest in various securities issued by the United States and its agencies. The City's share of these investments at December 31, 2000 was \$6,182,882. This amount represents the cost of the cooperative shares and is considered to approximate fair value. These investments are not subject to risk categorization. Additional information concerning the cooperative is presented in the annual report of the Cooperative Liquid Assets Securities System (CLASS).

**Taxes Receivable**

Taxes receivable at December 31, 2000 consisted of the following:

City taxes - Current	\$ 156,698
City taxes - Delinquent	496,901
School district taxes - Current	<u>65,290</u>
	<u>\$ 718,889</u>

## CITY OF RYE, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)**

School district taxes are offset by liabilities to the school district which will be paid no later than May, 2001. Taxes receivable are also partially offset by deferred tax revenues of \$143,349 which represents an estimate of the receivable which will not be collected within the first sixty days of the subsequent year.

**Due From/To Other Funds**

The balances reflected as due from/to other funds at December 31, 2000 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 30,268	\$ 17,824
Cable TV	-	280
Nature Center	-	585
Debt Service	1,178	-
Capital Projects	-	1,178
Boat Basin	-	1,025
Golf Club	-	4,054
Building and Vehicle Maintenance	20,944	1,899
Agency	-	25,545
<b>Totals</b>	<b>\$ 52,390</b>	<b>\$ 52,390</b>

**General Fixed Assets**

Changes in general fixed assets during 2000 were as follows:

<u>Category</u>	<u>Balance January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2000</u>
Land	\$ 2,788,444	\$ -	\$ -	\$ 2,788,444
Improvements Other than Buildings	326,921	95,631	-	422,552
Machinery and Equipment	4,205,860	172,377	-	4,378,237
	<b>\$ 7,321,225</b>	<b>\$ 268,008</b>	<b>\$ -</b>	<b>\$ 7,589,233</b>

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)****Fixed Assets - Proprietary Funds**

Fixed assets and accumulated depreciation of the Proprietary Funds at December 31, 2000 were comprised of the following:

Category	Enterprise Funds			Internal Service Fund	
	Boat Basin Fund	Golf Club Fund	Total	Building and Vehicle Maintenance Fund	Total
Land	\$ 408	\$ 1,700,000	\$ 1,700,408	\$ -	\$ 1,700,408
Buildings	341,930	4,999,748	5,341,678	2,117,915	7,459,593
Improvements Other than Buildings	841,165	1,612,619	2,453,784	1,767,421	4,221,205
Equipment	56,460	949,182	1,005,642	5,074,122	6,079,764
Furniture and Fixtures	3,828	28,957	32,785	-	32,785
Construction-in-Progress	-	6,248,520	6,248,520	222,752	6,471,272
	1,243,791	15,539,026	16,782,817	9,182,210	25,965,027
Accumulated depreciation	479,773	3,212,841	3,692,614	3,816,298	7,508,912
Totals	<u>\$ 764,018</u>	<u>\$12,326,185</u>	<u>\$13,090,203</u>	<u>\$ 5,365,912</u>	<u>\$ 18,456,115</u>

**B. Liabilities****Unpaid Claim Liabilities**

The Risk Retention Fund reflects general liability claim liabilities. The various operating funds reflect health benefit claim liabilities. The liabilities are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience.

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)**

An analysis of the activity of unpaid claim liabilities is as follows:

	<u>Year Ended December 31, 2000</u>		<u>Year Ended December 31, 1999</u>	
	<u>General Liability</u>	<u>Health Benefits</u>	<u>General Liability</u>	<u>Health Benefits</u>
Balance - Beginning of Year	\$ 300,000	\$ 139,074	\$ 250,000	\$ 196,637
Provision for Claims and Claims Adjustment Expenses	104,455	1,704,211	125,948	1,191,267
Claims and Claims Adjustment Expenses Paid	(104,455)	(1,640,702)	(75,948)	(1,248,830)
Balance - End of Year	<u>\$ 300,000</u>	<u>\$ 202,583</u>	<u>\$ 300,000</u>	<u>\$ 139,074</u>

The liability for health benefits has been offset by amounts held on deposit by the claims administrator.

**Indebtedness****Long-Term Indebtedness**

The changes in the City's long-term indebtedness for the year ended December 31, 2000 are summarized as follows:

	<u>Balance January 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2000</u>
Bonds:				
Governmental Funds	\$ 176,000	\$ 740,000	\$ 44,000	\$ 872,000
Proprietary Funds	<u>7,004,000</u>	<u>3,085,000</u>	<u>391,000</u>	<u>9,698,000</u>
	<u>\$ 7,180,000</u>	<u>\$ 3,825,000</u>	<u>\$ 435,000</u>	<u>\$ 10,570,000</u>

**Bonds Payable**

Bonds payable at December 31, 2000 are comprised of the following individual issues:

\$3,670,000 - 1990 bonds for various improvements, due in annual installments of \$175,000 through June 2002, \$200,000 in June 2003, \$250,000 in June 2004, \$225,000 in June 2005 and \$50,000 through June 2010; interest at 6.70% for maturities through 2005 and 6.80% for maturities through 2010	\$ 1,275,000
\$817,000 - 1993 bonds for various public improvements, due in annual installments of \$85,000 through September 2002 and \$75,000 in September 2003; interest at rates ranging from 3.875% to 4.125%, depending on maturity	245,000



NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)**

\$5,400,000 - 1998 bonds for improvements to the golf club, due in annual installments of \$185,000 in September 2001, \$190,000 in September 2002, \$200,000 in September 2003, \$215,000 in September 2004, \$225,000 in September 2005, \$235,000 in September 2006, \$245,000 in September 2007, \$260,000 in September 2008, \$270,000 in September 2009, \$285,000 in September 2010, \$305,000 in September 2011, \$320,000 in September 2012, \$335,000 in September 2013, \$355,000 in September 2014, \$370,000 in September 2015, \$390,000 in September 2016, \$410,000 in September 2017 and \$430,000 in September 2018; interest at rates ranging from 4.20% to 6.30%, depending on maturity

\$ 5,225,000

\$3,825,000 - 2000 bonds for various public improvements due in annual installments of \$110,000 in October 2001, \$115,000 in October 2002, \$120,000 in October 2003, \$130,000 in October 2004, \$135,000 in October 2005, \$140,000 in October 2006, \$150,000 in October 2007, \$160,000 in October 2008, \$165,000 in October 2009, \$175,000 in October 2010, \$185,000 in October 2011, \$195,000 in October 2012, \$210,000 in October 2013, \$220,000 in October 2014, \$235,000 in October 2015, \$250,000 in October 2016, \$260,000 in October 2017, \$275,000 in October 2018, \$290,000 in October 2019 and \$305,000 in October 2020; interest at rates from 5.10% to 5.25%, depending on maturity

3,825,000\$ 10,570,000

The annual requirements to amortize all bonded debt outstanding as of December 31, 2000 including interest payments of \$5,616,484 are as follows:

<u>Year</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
2001	\$ 109,108	\$ 992,815	\$ 1,101,923
2002	107,284	975,139	1,082,423
2003	105,358	976,159	1,081,517
2004	60,294	987,334	1,047,628
2005	59,953	944,672	1,004,625
2006-2010	300,182	3,767,136	4,067,318
2011-2015	305,046	3,533,054	3,838,100
2016-2020	<u>310,451</u>	<u>2,652,499</u>	<u>2,962,950</u>
	<u>\$ 1,357,676</u>	<u>\$ 14,828,808</u>	<u>\$ 16,186,484</u>

The above general obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City. The "Amount to be Provided for General Long-Term Debt" represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)****Pension Plans**

The City of Rye, New York participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Retirement System, Governor Alfred E. Smith State Office Building, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees who joined ERS after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Contributions are certified by the State Comptroller and are expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion (GTLI) and regular pension contributions. Contribution rates for the plan year ended March 31, 2001 are as follows:

	<u>Tier/Plan/Option</u>	<u>GTLI</u>	<u>Regular</u>
ERS	1 75I/41J	.2%	- %
	2 75I/41J	.2	-
	3 A14/41J	.2	-
	4 A15/41J	.2	-
	<u>Tier/Plan/Option</u>	<u>GTLI</u>	<u>Regular</u>
PFRS	1 384D/3029D	- %	- %
	2 384D	-	-

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2000	\$ 9,044	\$ 707
1999	10,578	5,720
1998	40,647	33,543

These contributions were equal to the 100% of the actuarially required contributions for each respective fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

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**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)**

The current ERS contribution for the City was charged to various departments within the funds identified below. The current PFRS contribution was charged to the General Fund.

<u>Fund</u>	<u>Amount</u>
General	\$ 4,764
Cable TV	266
Nature Center	491
Boat Basin	432
Golf Club	1,254
Building and Vehicle Maintenance	<u>1,837</u>
	<u>\$ 9,044</u>

The City also provides benefits to those police officers who retired from service prior to the inception of PFRS. Benefits are calculated pursuant to Section 192 of the Retirement and Social Security Law. It is the policy of the City to fund any benefits from the General Fund police department budget. These pension costs for the year ended December 31, 2000 were \$10,004.

**Compensated Absences**

Vacation time is generally taken in the year subsequent to the year in which it is earned, although employees may be granted permission to carry over unused vacation time beyond one year. Employees who have ten years of City service may be paid up to 36 days of unused vacation time upon separation of service. For full-time employees other than uniformed police and firefighters, the City will pay accrued sick time to employees who retire with twenty years of City service. Such payments will be made at the flat rate of \$40 per day for each day of accrued sick leave in excess of 165 days, to a maximum of 35 days. Payments to administrators will be made at the daily rate of pay. Police officers may accrue a maximum of 365 sick days. Upon retirement, police officers who have accumulated sick leave in excess of 220 days shall be paid a lump sum payment equal to one day's pay per year of service to a maximum of 20 days. The City is not required to make any payments to firefighters for unused sick time. The liability for compensated absences as of December 31, 2000 totaled \$655,845. This amount was recorded as a liability in the funds enumerated below:

<u>Fund</u>	<u>Amount</u>
General	\$ 546,710
Cable TV	6,522
Nature Center	5,839
Boat Basin	17,976
Golf Club	34,143
Building and Vehicle Maintenance	<u>44,655</u>
	<u>\$ 655,845</u>

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

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**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)****C. Revenues, Expenditures and Transfers****Operating Transfers**

Operating transfers in and out by fund for the year ended December 31, 2000 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 225,162	\$ 813,796
Nature Center	130,975	-
Debt Service	50,909	-
Capital Projects	625,012	230,512
Building and Vehicle Maintenance	70,000	25,000
Expendable Trust	-	32,000
Non-Expendable Trust	-	750
	<u>          </u>	<u>          </u>
Totals	<u>\$ 1,102,058</u>	<u>\$ 1,102,058</u>

**Post-Employment Health Care Benefits**

In addition to providing pension benefits, the City provides health care benefits for retired employees and their dependents. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. During the year, \$672,772 was paid on behalf of 109 retirees. This amount has been recorded as expenditures/expenses in the General, Nature Center, Boat Basin, Golf Club, and Building and Vehicle Maintenance funds.

**D. Fund Balances****Reserved**

The City, in accordance with laws of New York State, local charter authorization and generally accepted accounting principles has reserved and designated certain elements of the fund balance. A description of the significant elements are as follows:

The Reserve for Debt Service represents a segregation of the fund balance for debt service in accordance with the provisions of the Local Finance Law of the State of New York.

Encumbrances outstanding have been reserved as it is the City's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

NOTES TO FINANCIAL STATEMENTS (Continued)  
 DECEMBER 31, 2000

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**Note 3 - Detailed Notes on All Funds and Account Groups (Continued)**

The Reserve for Prepaid Expenditures represents health insurance and other costs paid in advance. The reserve indicates that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Long-Term Receivable represents funds set aside to indicate the long-term nature of taxes receivable collected for other governments. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Reserve for Trusts represents funds set aside in accordance with the terms of various trust agreements.

**Unreserved**

Designated for Future Capital Projects - This designation has been established to set aside funds to be used to finance all or part of the construction or acquisition of major capital facilities.

Designated for Subsequent Year's Expenditures - Designations of fund balance are not legally required segregations but represent intended use for a specific purpose. At December 31, 2000, the City Council designated that \$2,055,000 of the fund balance of the General Fund and \$99,937 of the Nature Center Fund be appropriated for the ensuing year's budget. However, the designation in the Nature Center Fund exceeded the funds available by \$6,852.

**Note 4 - Segment Information - Enterprise Funds**

Segment information for the City's two enterprise funds for the year ended December 31, 2000 is as follows:

	<u>Boat Basin</u>	<u>Golf Fund</u>	<u>Total</u>
Operating Revenues	\$ 432,455	\$ 3,324,320	\$ 3,756,775
Depreciation Expense	36,736	341,124	377,860
Operating Income	118,444	558,012	676,456
Net Income	156,483	639,205	795,688
Property, Buildings, and Equipment Additions	11,302	4,719,791	4,731,093
Net Working Capital	654,940	1,094,645	1,749,585
Total Assets	1,424,808	14,401,161	15,825,969
Bonds Payable	-	5,975,000	5,975,000
Total Equity	1,400,982	7,721,687	9,122,669

NOTES TO FINANCIAL STATEMENTS (Continued)  
DECEMBER 31, 2000

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**Note 5 - Joint Venture**

The City participates in a joint venture for the operation of the Rye Town Park (Park). The Park was established in 1907 by the New York State Legislature pursuant to Chapter 711 of the Laws of 1907. The Park provides recreational activities to the public, and is governed by a Commission which has full charge and supervision over the capital improvements, operations, and maintenance of the Park. The Commission consists of six members: the Supervisor of the Town of Rye, the Mayor of the City of Rye, the Mayor of the Village of Port Chester, the Mayor of the Village of Rye Brook, one Commissioner appointed by the City Council of the City of Rye, and one Commissioner appointed by the Town Board of the Town of Rye. The City of Rye does not have an equity interest in Rye Town Park. The City has an ongoing financial responsibility in that the annual income or loss resulting from the Park's activities is shared proportionally by the City of Rye and the Town of Rye, using a calculation based on their equalized assessed valuation. The City's share of the Park's income or loss for the 2000 fiscal year is not yet available and accordingly, no amounts have been reflected in the financial statements. Complete separate financial statements for the Park may be obtained from the Town of Rye, 10 Pearl Street, Port Chester, New York 10573.

**Note 6 - Summary Disclosure of Significant Contingencies**

**Litigation**

The City, in common with other municipalities, receives numerous notices of claims for money damages occurring from false arrest, malicious prosecution, defamation of character or personal injury. The filing of such claims commences a statutory period for initiating judicial action. Currently, the City is defendant in numerous actions which may or may not exceed insurance limits or are not covered by applicable insurance. Such actions are being defended and no opinion is expressed as to the merits or possible outcome of each case. Payments that may be required as a result of these actions have been included in the assessment and calculation of liabilities in the Risk Retention Fund.

The City is also defendant in numerous pending tax certiorari proceedings, the results of which cannot be determined at this time. The City has estimated its exposure for outstanding certiorari actions and has reflected this liability in the General Fund. Any other refunds resulting from adverse settlements will be funded in the year in which the payments are made.

The City is defendant in an action filed by Home Depot regarding the delayed opening of the superstore in the Village of Port Chester at Rye's border. Most of the traffic impact from the site affects Rye and the City had opposed approval of the project in court. Home Depot seeks \$50 million in damages against the City and individual Council members claiming lost profits and violation of U.S. Code Section 1983. This action is in the final discovery stage and no opinion is expressed as to the probable outcome.

**Contingencies**

The City participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures/expenses which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS (Concluded)  
DECEMBER 31, 2000

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**Note 6 - Summary Disclosure of Significant Contingencies (Continued)**

**Risk Management**

The City's general liability program has a self-insured retention level of \$25,000 per occurrence, not to exceed an aggregate of \$125,000 during the 2000 policy year. Insurance coverage has been secured for losses in excess of \$125,000 to a maximum of \$5 million per occurrence. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Accrued liabilities in the Risk Retention Fund include provisions for claims reported and claims incurred but not reported (IBNR's).

The City, along with other municipal entities, participates in the Municipal Employee Benefits Consortium (MEBCO). MEBCO is a public entity risk pool currently operating as a common risk management and health insurance program for its members. MEBCO was formed in April 1988 pursuant to an act of the Board of Legislators of the County of Westchester. This act provided cities and villages throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law. The purpose of the pool is to stabilize the cost of medical benefits provided to employees (see unpaid claim liabilities). MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims/loss experience. The City pays the pool an annual provision for its health coverage.

Workers' compensation insurance is secured with statutory coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

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